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MINISTRY OF COMMERCE AND INDUSTRY

NOTIFICATIONS

FORWARD CONTRACTS

New Delhi, the 22nd August 1957

S.R.O. 2714.—Whereas the Central Government is of the opinion that in the interest of the trade and in the public interest it is expedient to regulate and control non-transferable specific delivery contracts in Indian Cotton, (full pressed, half-pressed or loose) in Greater Bombay.

Now, therefore, in exercise of powers conferred by sub-section (3) of section 18 of the Forward Contracts (Regulation) Act, 1952, (74 of 1952), the Central Government hereby declares that sections 5 to 15 of the said Act shall apply to non-transferable specific delivery contracts in Indian Cotton (full pressed, half-pressed or loose) in the area within the limits of Greater Bombay, as defined in the Bombay General Clauses Act, 1904 (Bombay Act 1 of 1904)

[No. 45-Exp.(18)/56-TMP.]

S.R.O. 2715.—Whereas a request in writing has been received in this behalf from Board of Directors of the East India Cotton Association Ltd., Bombay;

Now, therefore, in exercise of the powers conferred by sub-section (1) of Section 12 of the Forward Contracts (Regulation) Act, 1952 (74 of 1952), the Central Government hereby makes the following further amendments in the By-laws of the East India Cotton Association Ltd., Bombay, namely:—

In the said By-laws:—

I. In By-law 36(1), for the words and bracket “(including such disputes between a member and a non-member)”, the following words shall be substituted, namely:—

“arising out of a contract made subject to the By-laws or subject to East India Cotton Association arbitration, or words or abbreviations to a similar effect”.

II. In By-law 38(A) for the words “covered by any” appearing in the first paragraph after the letter and bracket “(d)” the words “contracts covered by any such” shall be substituted.

III. for the words “BY-LAWS REFERRING SPECIALLY TO CONTRACTS FOR FORWARD DELIVERY OF SPECIFIED GROWTHS DELIVERY CONTRACTS” appearing as heading before the commencement of by-law 66 the following shall be substituted, namely:

“BY-LAWS RELATING SPECIALLY TO DELIVERY CONTRACTS”

IV. For By-law 66, the following By-law shall be substituted, namely:—

“66(A) (a) *Classes of delivery contracts and conditions of valid tender.*—Delivery Contracts between members or between a member and a non-member,

for delivery of Indian cotton in Greater Bombay, shall be subject to these By-laws and shall be at fixed prices in respect of the following only:—

- (1) Private types or sealed samples or stamped bales of any of the descriptions of cotton tenderable under the Hedge Contract and/or included in the price notification issued by the Textile Commissioner under the Cotton Control Order 1955 or both;
- (2) (i) Bengal, Assam-Commilla, Oomra Desi (including Desi cottons grown in Moglai, Madhya Bharat, Madhya Pradesh and Khandesh), Mathia and Mungari cotton,
- (ii) cotton with more than 1" staple length; and
- (iii) other descriptions of cotton not included in the Hedge Schedule or in the price notification issued by the Textile Commissioner under the Cotton Control Order;
- (3) Specific descriptions of specific class and staple of cotton as may be permitted from time to time by the Board out of the descriptions of cotton tenderable under the Hedge Contract.

Out Station Delivery Contracts

(b) Delivery Contracts for any specific description of any staple as well as of private types or of sealed samples or of stamped bales, for delivery of cotton at any place other than Greater Bombay, may be entered into between members or between a member and a non-member subject to these By-laws at fixed prices only.

(B) (a) In respect of Delivery Contracts the following conditions shall be requisite for a fair tender:—

- (1) The cotton, if sold by description shall be of the description sold and shall have been pressed at or grown in the vicinity of the places mentioned in column (4) of the Hedge Schedule shown opposite the respective description in column (2) of the said Schedule.
- (2) Each bale shall bear the specific mark prescribed for the factory in which it is pressed, in conformity with the provisions of the Cotton Ginning and Pressing Factories Act, 1925, (12 of 1925) and the rules thereunder.

On failure to fulfil any of these conditions, a tender shall be held to be not a fair tender and will be liable to the consequences provided under these By-laws.

(b) In the event of any bale in a tender being un-marked or wrongly marked, and therefore not bearing the special mark as required by condition (2) of sub-clause (a) above such bale may be rejected by the buyer, and he shall be entitled to such amount, if any, as may be imposed by way of a penalty, from time to time, by the Board, provided, however, that the Board shall impose a fixed penalty of Rs. 12½ for the whole unit of 50 bales tendered with marks not sufficiently clear to locate the origin of such bales. The buyer shall, however, be liable to weigh over and accept delivery of every bale tendered which shall comply with the conditions contained in sub-clause (a) less any such bale or bales rejected under this sub-clause."

V. For By-law 69, the following By-law shall be substituted, namely:—

"69. *Delivery Order or Railway Receipt or Sampling Order cannot be passed on*.—A delivery Contract or the rights or responsibilities under such contract or under any delivery order, or sampling order, or railway receipt or bill of lading, or warehouse receipt or any other document of title relating thereto, shall not be transferable. Subject to the provisions of these by-laws, the buyer under all delivery Contracts must weigh over and take delivery of the quantity purchased unless the rights or responsibilities thereunder, are otherwise settled by mutual agreement between the parties thereto. Such settlement shall not however be by Havalas. Havalas in respect of delivery contracts are prohibited.

VI. In By-law 73(a) in clause (1) the words "or if it does not conform to By-law 66", shall be omitted.

(b) At the end of By-law 73, the following note shall be added, namely:—

"NOTE.—For purposes of this By-law the invoicing back rate in the case of delivery contracts by description permitted to be traded in by the Board under By-law 66(A) (a) (3) shall be the spot rate for the day fixed by the Daily Rates Committee and in the case of other delivery contracts, it shall be the spot rate that may be fixed by the Special Committee under By-law 34A, on application by either of the parties."

VII. At the end of By-law 74 the following note shall be added, namely:—

"NOTE.—For the purpose of this By-law, the invoicing back rate in the cases of delivery contracts by description permitted to be traded in by the Board under By-law 66(A) (a) (3), shall be the spot rate fixed by the Daily Rates Committee on the due date and in the case of other delivery contracts it shall be the spot rate that may be fixed by the Special Committee under By-law 34A, on application by either of the parties."

VIII. In By-laws 74 and 75 for the letters and figures "Rs. 25" the letters and figures "Rs. 35" shall be substituted.

IX. For Clauses (1) and (2) of By-law 80, the following shall be substituted, namely:—

"80. *Requirements as to Forward Contracts.*—(1) Delivery contracts shall be in writing and shall contain a provision that they are subject to these By-laws or words to a similar effect. For the convenience of members, and also for securing informity in the use of form, suitable Forms of delivery contracts are given in the Appendix.

Delivery Contracts.—Form 'A' in the Appendix may be used in respect of delivery contracts between members. Form 'B' in the Appendix may be used in respect of delivery contracts between a member and a non-member.

(2) By-laws 130 to 166 (both inclusive) and 168 to 185A (both inclusive) shall not apply to delivery contracts; Provided, however, in the case of delivery contracts by description, as may be permitted by the Board under by-law 66(A) (a) (3), By-laws 130 to 148 (both inclusive) and 164 to 166 (both inclusive) shall apply.

X. For By-law 83, the following By-law shall be substituted, namely:—

"*Forward contracts not to be cancelled.*—Except as provided in By-law 69, no forward contract entered into under these by-laws shall be cancelled by any of the parties thereto"

XI. For By-law 136 the following By-law be substituted, namely:—

"136. *Payments to be made through Clearing House.*—All payments to or by a member in respect of differences on Hedge Contracts and, except as provided in By-law 139, all payments or differences in respect of delivery contracts by description that may be permitted by the Board under By-law 66(A) (a) (3) and other liabilities relative to such contracts, shall be made through the Clearing House. Any member violating this By-law shall be liable to be dealt with in accordance with the provisions of By-laws 17 to 29 and for any default in payment under By-law 11."

XII. For By-law 139 the following By-law shall be substituted, namely:—

"139. *Settlement Days.*—(1) All Hedge Contracts between members shall be subject to periodical settlements through the Clearing House. Settlements of differences due on open contracts and of other liabilities to be settled through the Clearing House shall be made once weekly on days which shall be fixed by the Board and notified in a calendar to be published annually.

(2) The day on which Balance Sheets are required to be submitted to the Clearing House under By-law 148 shall be known as Settlement Day.

- (3) All delivery contracts by description between members, as may be permitted by the Board under By-law 66(A) (a) (3) shall be subject to periodical settlements through the Clearing House, except contracts, one of the parties to which is a mill-member in which case such contracts shall not be subject to periodical settlements through the Clearing House unless mutually agreed to by the parties and so stipulated in the contract. Settlement of differences due on the open contracts subject to such periodical settlements and of other liabilities as well as differences arising out of the final settlement thereof shall be made through the Clearing House once fortnightly on days which shall be fixed by the Board and notified in a calendar to be published annually.
- (4) In respect of delivery contracts by description, as may be permitted by the Board under By-law 66(A) (a) (3), between a member and a non-member, the differences as and when they become payable as well as differences arising out of the final settlement thereof shall be paid or received by the parties direct and such differences shall not be payable to or receivable from the Clearing House. If such differences, as and when due, are not paid by a non-member, the outstanding contracts of the non-member with the member shall unless agreed to the contrary be deemed closed out at the rate fixed by the Daily Rates Committee on the day following the Inward Payment Day in respect of that Settlement Clearing. If however, the member shall have granted to the non-member an extension of time for making payment and the difference due is not paid within such extended time, the contract shall be deemed closed out at the rate fixed by the said committee on the day following the date of expiry of the extended time."

XIII. For By-law 141 the following By-law shall be substituted, namely:—

- "141. *Settlement Rates.*—(1) For the purpose of settlement clearings in respect of Hedge Contracts, settlement prices for the delivery months traded shall be fixed by the Board on or about the third working day immediately preceding the Settlement Day. The prices so fixed shall be on the basis of 1 p.m. prices on the day of fixation or if there be no trading on the day of fixation, on the basis of the previous day's closing rate.
- (2) For the purpose of settlement clearings in respect of delivery contracts by description permitted to be traded in by the Board under By-laws 66(A) (a) (3), settlement prices for each description so permitted, shall be fixed by the Board on or about the third working day immediately preceding the fortnightly Settlement Day, on the basis of the forward rate fixed for that description by the Daily Rates Committee.

XIV. For By-law 148 the following By-law shall be substituted, namely:—

- "148. *Balance Sheets; Inward Payment Day.*—Balance sheets (Appendix—Form 3) shall be prepared separately for Hedge and for delivery contracts subject to periodical settlements and sent into the Clearing House at the hour and on the day fixed by the Board as the Settlement Day in that regard, together with the Vouchers (Appendix—Form 2) for the sums claimed. However, the amount due to be paid or received by a member under either of the balance sheet may be set off against the other and after such adjustment if his balance sheets show a debit balance, he shall pay into the State Bank of India the amount due from him not later than the time on the day specified in the Clearing House notice, which day shall be called the *Inward Payment Day*. Members whose balance sheets show credit balance after such adjustment shall be paid the sum due to them as soon as practicable.

Members handing into the Clearing House balance sheets after the hour on the day fixed shall be charged a late fee at the rate of Re. 1 per hour or part of an hour and no balance sheet shall be accepted later than 4-30 P.M. on the date fixed.

NOTE:—Vouchers once submitted with the balance sheets to the Clearing House shall not be allowed to be withdrawn without the consent in writing of the other party or parties concerned."

XV. In By-law 148B the words "transferable specific" appearing in clause (4) thereof, shall be omitted.

XVI. By-laws 163A and 163B shall be omitted and By-law 163C shall be renumbered as 163A. After By-law 163A so renumbered, the following By-law shall be inserted, namely:—

"163B Which By-laws applicable to delivery contracts of cotton season 1957-58.—(1) For purposes of delivery contracts for the crops of the Cotton Season 1956-57, the provisions of By-laws and the Forms noted here under as they stood immediately before the 22nd August 1957 shall be applicable, namely:—

By-laws 36, 38, 66, 69, 73, 74, 75, 80, 83, 136, 139, 141, 148 and Forms A and B, and

(2) for purposes of such contracts for the crops of the Cotton Season 1957-58 and thereafter the said provisions as amended on the aforesaid date shall be applicable."

XVII. In Form A.—(1) For the words and brackets "Form for Forward Contracts (Between principals only)" in both the parts, the following shall be substituted, namely:—

"Form for Delivery Contracts (Between members only)".

(2) For the paragraph beginning with the word "This" and ending with the word "contract" in both parts the following shall be substituted, namely:—

*This Contract is subject to fortnightly settlement clearings as provided in By-laws 136, 139 and 141.

*NOTE:—Strike off in case the contract is other than by description permitted by the Board under By-law 66(A)(a)(3) and the parties do not mutually agree to such settlements or if by description, the buyer is a mill and the parties do not agree to such settlements."

XVIII. In Form B.—(a) For the words "Form FOR FORWARD CONTRACTS" appearing in first two parts, the following shall be substituted, namely:—

"FORM FOR DELIVERY CONTRACTS (Between a member and non-member only)."

(b) The words "Broker(s)" wherever they occur in first two parts, shall be omitted. Commission Agent(s)

(c) (i) For the words "bought by your order and for your account" occurring in part one, the following shall be substituted, namely:—

"bought from you
sold to you"

(ii) For the words "sold your order and for your account" occurring in part two, the following shall be substituted, namely:—

"sold to you
bought from you"

(d) (i) For the paragraph beginning with the word "This" and ending with the word "Contract" in the first part, the following shall be substituted, namely:—

"This Contract is subject to fortnightly Settlement Clearings as provided in By-laws 136, 139, and 141. In the event of your failure to pay the difference as and when it arises, unless agreed to the contrary, your outstanding contracts with me shall be deemed closed out at the rate fixed by the Daily Rates Committee on the day following the Inward Payment Day in respect of that Settlement Clearing. If however, I/we grant you an extension of time for making payment and the difference due is not paid by such extended time, the Contract shall be deemed closed out at the rate fixed by the said Committee on the day following the date of expiry of the extended time."

(ii) For the para beginning with the word "This" and ending with the word "Contract" in the second part, the following shall be substituted, namely:—

"This Contract is subject to fortnightly Settlement Clearings as provided in By-laws 136, 139 and 141. In the event of my/our failure to pay to you the difference as and when it arises, unless agreed to the contrary, my/our outstanding contracts with you shall be deemed closed out at the rate fixed by the Daily Rates Committee on the day following the Inward Payment Day in respect of that Settlement Clearing. If however, you grant me/us an extension of time for making payment and the difference due is not paid by me by such extended time, the contract shall be deemed closed out at the rate fixed by the said Committee on the day following the date of expiry of the extended time."

(e) (i) For the words and line "Seller's signature....." at the bottom left corner of part one, the following shall be substituted and inserted at the bottom right corner, namely:—

"....."
Signature of member."

(ii) For the words and line "Buyer's Signature....." at the bottom left corner of part two, the following shall be substituted, and inserted at the bottom right corner, namely:—

"....."
Signature of non-member."

(f) The counterfoil shall be omitted.

In pursuance of the proviso to sub-section (4) of Section 12 of the Forward Contracts (Regulation) Act, 1952 (74 of 1952), the Central Government in the interest of the trade dispenses with the condition of previous publication of the amendments aforesaid in the Gazette of India and the Bombay Government Gazette.

[No. F. 45-Exp.(18)/56-TMP.]

K. V. VENKATACHALAM, Jt. Secy.